



2020 ENDOWMENT FINANCIAL REPORT

UNIVERSITY OF WISCONSIN FOUNDATION



YOUR IMPACT: ENDOWMENTS AT WORK



"With the generous support of this professorship, I've been able to collaborate with investigators across the world to develop novel ways to identify brain changes earlier. It has also provided the support needed to advance our UW-Madison Alzheimer's Disease Clinical Trials Program, accelerating the discovery of new treatment and prevention therapies for Alzheimer's disease. Furthermore, this gift helps provide the support necessary to develop quality dementia clinics throughout the state of Wisconsin."

Cindy Carlsson MS'05

Louis A. Holland, Sr., Professorship in Alzheimer's Disease



"Because of this Great People Scholarship, I, a daughter of immigrants, was able to achieve my lifelong dream of becoming a veterinarian. Sí se puede!"

Valeria Caceres DVM'20
Veterinary Medicine



"Receiving the Denton award is humbling and greatly encouraging. It demonstrates the high value this department places on training future scientists"

Nathan Thomas PhD'21

Biochemistry



"Thanks to the Grainger fellowship, this was my most fruitful academic year in terms of the range and progress of my health care-related research, and it would not have been possible without this generous support."

Sujee Lee MS'20, PhD'20
Industrial Engineering



"The visionary and generous support provided by the Kok-Peng Yu and Anna Lee Shen Professorship has fueled our team's ability to innovate, take risks, and develop new approaches to tackling major health system problems. Their generosity has led directly to new resources, and our team's work would truly not be possible without them."

Ryan Coller '02

Kok-Peng Yu and Anna Lee Shen Assistant Professor of Pediatrics



"Thanks to generous fine arts scholarships, my financial burden has been reduced, allowing me to focus on my schoolwork and art creation. I hope one day that I will be able to help struggling students reach their goals in higher education by assisting them in the same way."

Hedi Ma x'21
School of Education



"While the pandemic halted research and conference travel, the Ritzmann Chair has allowed me to access historical archives, hire a research assistant, and purchase books central to my research. With the help of these funds, I have completed chapters six and seven of my book, which is tentatively titled Complicity in the Age of Slavery."

David Zimmerman
Elizabeth Ritzmann Chair in English Literature



"I extend my heartfelt gratitude to James L. Henderson and his family for their generosity. This support has a tremendous impact on the Wisconsin School of Business, particularly our ability to achieve excellence in research, which defines how we educate our students and contribute to society."

Stacie Laplante
James L. Henderson Professor of Accounting



"It's important to me that I'm more than just a law student — that I'm a law student who stands for something, who advocates for others. Knowing that a donor thinks I'm someone who is deserving of this award feels amazing."

Rainer Rosilez x'23
Law School



"As an alum, being part of a legacy at the UW is very important to me — I want to be a beacon and a role model for other minority students."

Elzie Higginbottom '65
Donor



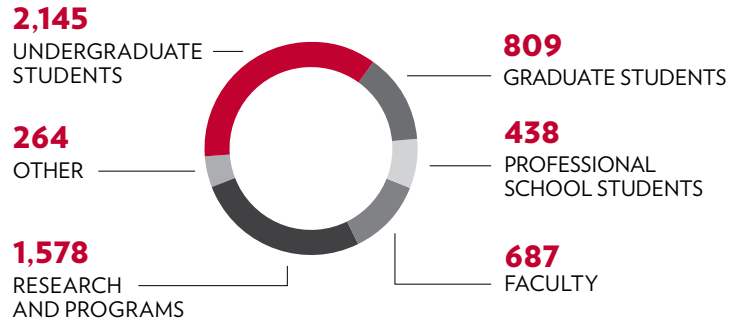
"From an early age, I [Paul Shain] spent every Saturday with my dad, a UW chemistry professor, at his lab. So, when the opportunity arose to create a named professorship in his honor, it was only natural to direct that to the Department of Chemistry."

**Paul '85, MBA'86 and
Suzy '86, MBA'90 Shain**
Donors

2020 ENDOWMENT SNAPSHOT

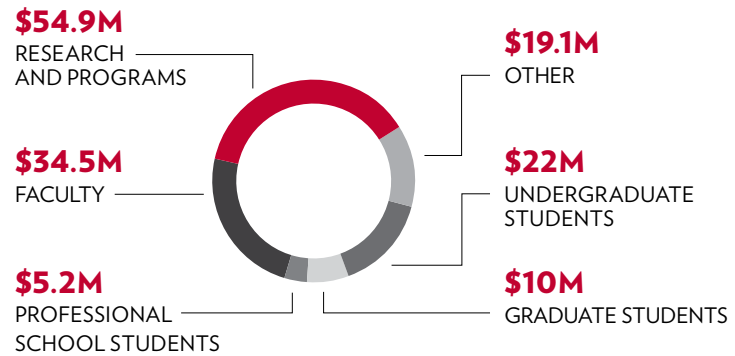
TOTAL NUMBER OF ENDOWED FUNDS

5,921



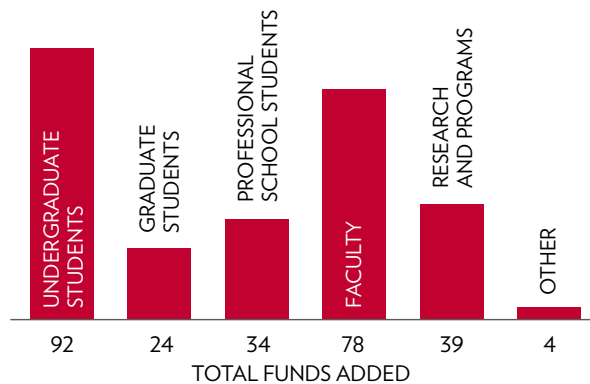
TOTAL DOLLARS GENERATED FOR UW-MADISON FROM THE ENDOWMENT IN 2020

\$145.7 MILLION



TOTAL NUMBER OF ENDOWED FUNDS ADDED IN 2020

271







PRESIDENT'S MESSAGE

GREETINGS,

All of us at the University of Wisconsin Foundation (UWF) take great pride in working with our generous donors to advance UW–Madison and UW Health. Endowed funds are increasingly critical to ensuring continued success, especially as we navigate the ongoing uncertainty around COVID-19 and its many implications.

The unwavering support from UW alumni, friends, and philanthropic partners resulted in \$367,471,092 in new gift commitments during 2020. Additionally, WFAA transferred more than \$278 million to the UW last year, providing critical resources for students, faculty, and important research endeavors. These funds directly benefit the research, education, and outreach programs that set the university apart. We are grateful for your generosity.

Your enduring support has made our All Ways Forward campaign successful, helping the university maintain its status as a top public research institution. In light of the many impacts of the pandemic, we decided last fall to extend the campaign through December 31, 2021. We believe this extension will allow us to address critical and emerging needs during this unique time. We look forward to closing our campaign on a high note at the end of this year.

We are pleased to share the impact of your endowed support during the 2020 calendar year. Your ongoing commitment is more important than ever. Thank you for everything you do to support the university's excellence.

ON, WISCONSIN!

MIKE KNETTER
President and CEO

ENDOWMENTS AT THE UNIVERSITY OF WISCONSIN FOUNDATION

A BASE FOR EVERLASTING SUPPORT

An endowment — a cornerstone of giving to support the University of Wisconsin–Madison and its affiliated partners — is an investment in future generations. Endowed funds are designed to provide annual income in perpetuity. Once established, endowed funds provide an immediate and future impact on the university and its affiliated partners. The goal is to have a consistent, everlasting, and high-quality influence on the university and its partners’ missions through support for scholarships, fellowships, research, patient care, professorships, chairs, or other programmatic funds.

Endowed funds are managed as long-term investments. Individual endowed funds are combined and invested within the endowment pool. Similar to a mutual fund, each endowed fund owns units in the pool. To preserve the endowment’s value over time, the fund is invested to provide annual income and long-term growth of principal (although depreciation is possible).

What is an endowed fund?

- A permanent, self-sustaining source of income that provides an immediate and ongoing impact
- A gift designed to grow and provide income for the donor-designated purpose in perpetuity
- A legacy of support for the University of Wisconsin–Madison and its affiliated partners



INVESTMENT GOALS

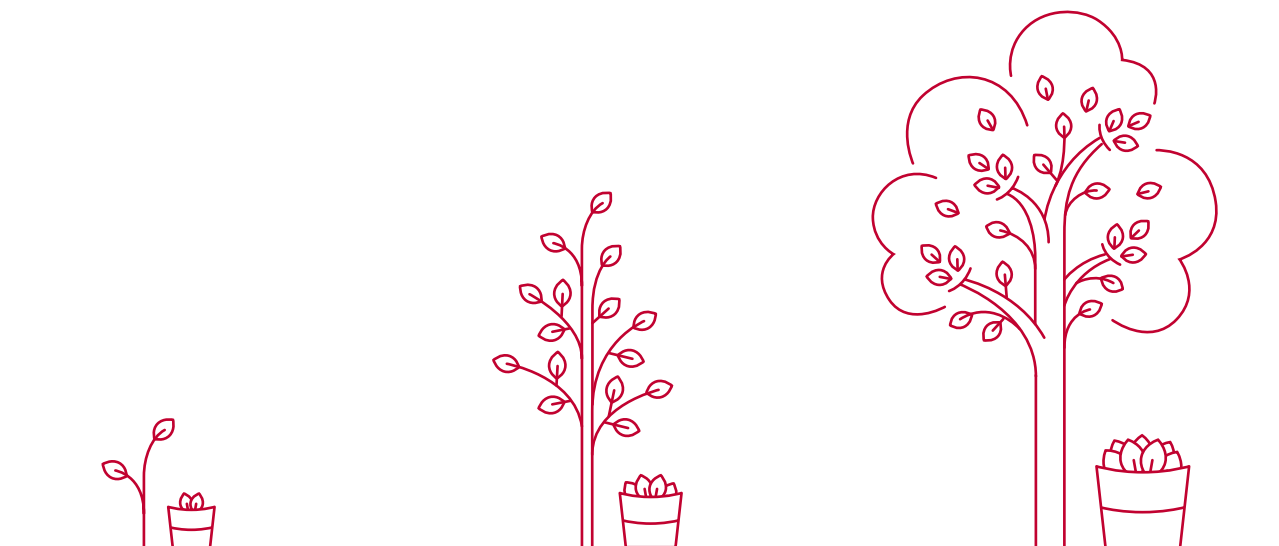
For endowed funds to remain impactful, the goal is to preserve purchasing power over the long term. To accomplish this objective, the investment return seeks to outpace the spending rate and inflation. While seeking to maximize investment return, an equally important objective is to minimize risk. By diversifying broadly across major asset classes, the Foundation minimizes risk and enhances performance. Additionally, the endowment pool invests in public and private markets to achieve further diversification benefits.

SPENDING PLAN

Endowed funds are designed to provide a relatively stable and consistent stream of income to support the university and its affiliated partners for as long as the fund exists. Because the endowment pool performance fluctuates in the short term, the Foundation uses a spending policy to help stabilize the income stream over time. Our spending policy currently distributes 4.5 percent of the endowment's average market value over the previous 16 quarters. The spending policy is reviewed annually by the Foundation's board of directors. The Foundation's investments team, along with members of the board's investment committee, continually reviews the endowment pool's investment performance. The current return objective, reviewed annually by the board, is to achieve an annualized return of 6.5 percent over a complete market cycle (typically a five- to 10-year period).

COMMITMENT

Foundation staff and the investment committee are focused on responsibly stewarding and investing philanthropic gifts. In addition to the ongoing responsibility of monitoring the asset-allocation targets and annually reviewing the current long-term expected return, the Foundation is committed to a cost-conscious investment operation. The focus continues to be on investing gifts received so their impact is meaningful and transformative for many years to come.



1

An endowed fund is established with a gift from a generous donor.

2

Through prudent management by the investments staff and board, the endowment grows and produces income annually and in perpetuity.

3

The principal is held in perpetuity, with the income proceeds supporting needs as designated by donor intention.

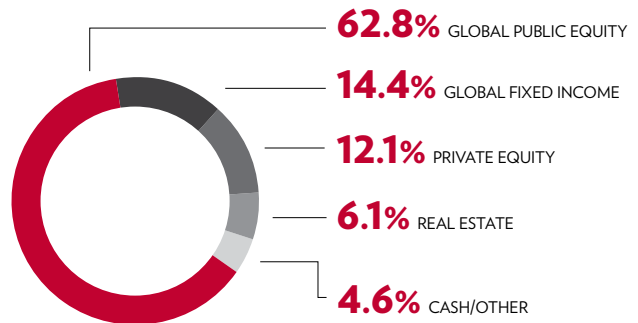
ASSET ALLOCATION AND INVESTMENT PERFORMANCE

INVESTMENT PERFORMANCE*

Annualized for periods ending December 31, 2020

1 YEAR	11.4%
3 YEARS	7.8%
5 YEARS	9.3%
10 YEARS	7.8%
INCEPTION (6/30/84)	9.1%

ASSET ALLOCATION AS OF DECEMBER 31, 2020



The University of Wisconsin Foundation endowment portfolio's current asset allocation is shown in the graph above. The asset allocation strategy has been established by the Foundation's board of directors and is reviewed at least quarterly to ensure that the portfolio's investment and diversification objectives are met.



Thanks to the generosity of our donors and investment results, the endowment portfolio has grown from \$2.5 billion on December 31, 2016, to \$3.6 billion on December 31, 2020. Additional donor investments in endowed funds increased the impact on the university and its affiliated partners in perpetuity.

*Net of external manager fees



INVESTMENTS PERSPECTIVE

DEAR FRIENDS,

Financial markets made impressive gains in 2020 in spite of a severe economic recession caused by the global COVID-19 pandemic. As the world adjusted to the first pandemic in more than 100 years, economic activity fell rapidly. Government lockdowns and additional uncertainty contributed to national unemployment significantly increasing during the spring. A brief but severe market downturn accompanied the uncertainty of how the world would respond. While the easing of lockdown conditions led to a partial return of economic activity and a gradual decrease in unemployment rates, it was a challenging year for many in the United States and throughout the world.

Although 2020 was an unprecedented year, financial markets responded favorably by the year's end. Following the initial tumult in the spring, prompt action by the federal government reduced interest rates, and a significant fiscal stimulus package injected cash into the markets. These decisions were mostly matched by similar policies throughout the world. Investor risk enthusiasm quickly returned and boosted prices in the public markets with global equities, in particular, ending the year with strong performance.

The endowment returned 11.4 percent during 2020, helped by double-digit gains in public equities and more modest returns in the rest of the portfolio. Five-year returns of 9.3 percent are healthy and reflect the sustained period of modest economic growth, low inflation, and low interest rates, which have contributed to gains in the equity and fixed-income markets.

The investments team continues to manage the endowment with a prudent, long-term focus to enable donor-endowed funds to have a positive impact on the university and its affiliated partners in perpetuity. Thank you for your generosity and continued support.

ALL WAYS FORWARD!

RICHARD SHEPLEY
Co-chief Investment Officer

THOMAS OLSON
Co-chief Investment Officer



W I S C O N S I N

A man with a backpack is walking on a concrete bridge. The bridge has the word 'MADISON' carved into its side. The background shows a building with large windows.

Whom should I contact if I have further questions?

For general questions about your fund, contact Brian Hettiger '90 at 608-308-5464 or brian.hettiger@supportuw.org.

For questions about investments, contact David Golden '93, MA'97 at 608-308-5212 or david.golden@supportuw.org.

GLOSSARY

ENDOWMENT MARKET VALUE is the value of an endowed fund at a particular point in time. The endowment market value includes the market gain (or loss) during the year and is reported net of spend plan allocation, the institutional advancement fee, and spending from principal, if applicable. Spending from principal may be allowed with donor permission.

GIFT ADDITIONS refers to the total value of all cash gifts added to the endowed fund during the year. Cash gifts are typically received via check or credit card.

INSTITUTIONAL ADVANCEMENT FEE is the primary source of revenue funding the Foundation's general operations in support of the university and its partners' mission. Annually assessed at 1 percent, this fee is below the median of other independent foundations that support public universities and their partners. The fee has been 1 percent for several decades.

INVESTMENT RETURN represents the market performance — i.e., gain (or loss) — of the fund during the year. All endowed funds are invested in the endowment portfolio and thus are subject to market fluctuation. Investment returns are reported net of investment-related costs.

OTHER ADDITIONS is a category that typically includes stock gifts, matching funds, gifts of real estate or other property, and transfers added to the endowed fund during the year.

OTHER DEDUCTIONS include fund transfers, spending from principal, and any other deductions removed from the endowed fund during the year.

REINVESTED INCOME is generated income that is occasionally reinvested, at the donor's request, back into the endowed fund. Reinvested income is generally not available to be spent.

SPEND PLAN ALLOCATION is a board-determined policy specifying that a certain percentage generated by endowed funds be allocated to the program or purpose specified by the donor. The spend plan currently distributes 4.5 percent of the endowment's average market value over the previous 16 quarters. Utilizing a 16-quarter moving average provides a more stable income stream, helping the university and its affiliated partners with annual budgeting. A fund with a \$100,000 market value generates approximately \$4,500 for the university to spend during the year.

SPEND PLAN ALLOCATION INCEPTION TO DATE is the income that has been generated since the fund was established. This income has been made available to be spent in accordance with the fund's purpose, which was specified by the donor. Endowed funds are designed to have an impact in perpetuity. These funds are cumulative and generate income annually.

We thank these photographers for images on the following pages:

Bryce Richter, University Communications: 4, 8
Jeff Miller, University Communications: 6, 10–11



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